



**Public quarterly report**  
for the period ended on 31 March 2014

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## General information

### Mission

The Bank offers qualitative and professional financial services for the dynamically growing enterprises and high-net-worth individuals from Latvia, the CIS, Europe and other world regions. The Bank aims at providing premium quality service, our personalised and customer-oriented approach allows to devise and offer tailored financial solutions for every customer meeting his/her business needs and personal requirements.

### Vision

The Bank endeavors to strengthen its leading positions in wealth management and corporate client service in Latvia and beyond.

The Bank aspires to increase its efficiency ratios and strengthen its market position aiming at ensuring stable profitability. The Bank seeks the stable development achieved by means of effective internal technology and administrative infrastructure.

The Bank is also planning to foster the improvement of risks and control management systems, staff training and professional growth of all its employees.

Rietumu is a socially responsible Latvian bank rendering support for those in need through our Rietumu Bank Charity Fund.

### Strategy

For achieving the set goals, the Bank has worked out and has been effectively implementing its corporate strategy focusing on the following areas:

/Cooperation with customers working on international scale, customers who own production companies, distribution networks, retail chains, transportation and real estate enterprises, import and export oriented companies, as well as customers with cross-border business requirements, etc.

/Assets and wealth management, brokerage services for stock exchange, investment and corporate finance, provision of loans to corporate entities, interbank lending and investment in securities, attraction of interbank loans, corporate and private deposits attraction.

/Constantly raising customer service quality by improving and expanding the existing product range according to the current market situation and the Bank's technological capabilities.

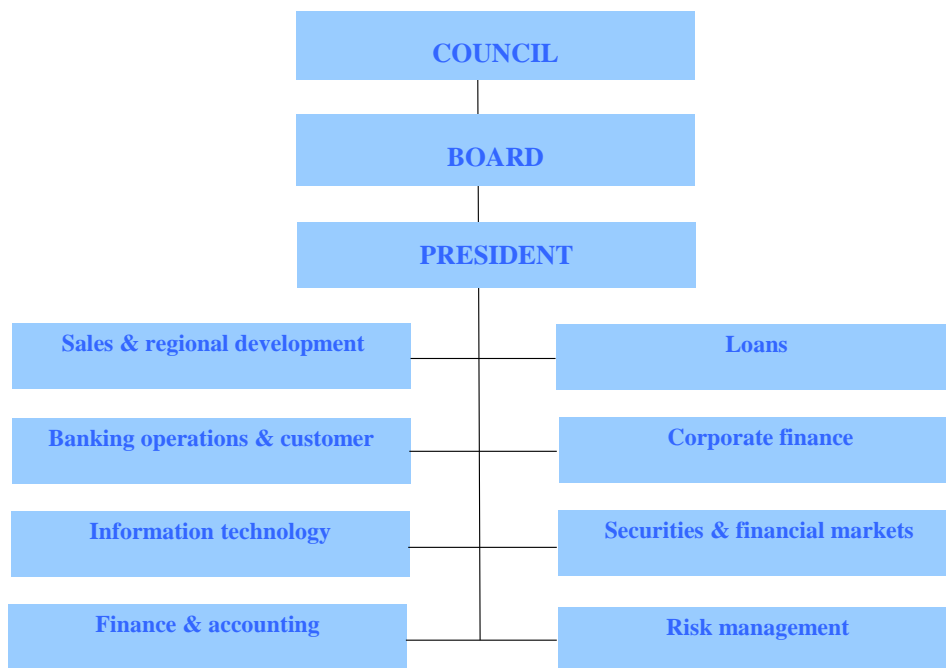
/Continually improving the internal processes and information technologies.

### Bank offices

The information about Rietumu Bank Worldwide offices can be found:

<http://www.rietumu.com/bank-offices>

The structure of JSC "Rietumu Banka"



## Shareholders of the Bank

	Number of voting shares	Par value of shares in lats	EUR Paid-in share capital	% of total share capital
Shareholders of the Bank				
<b>Companies non-residents, total</b>	<b>33 650 918</b>		<b>47 111 285</b>	<b>33.11%</b>
Boswell (International) Consulting Limited	33 650 918	1.4	47 111 285	33.11%
<b>Private persons, total</b>	<b>67 982 782</b>		<b>95 175 895</b>	<b>66.89%</b>
Leonid Esterkin	33 660 627	1.4	47 124 878	33.12%
Arkady Suharenko	17 618 202	1.4	24 665 483	17.34%
Others	16 703 953	1.4	23 385 534	16.44%
<b>Total shares with voting rights</b>	<b>101 633 700</b>		<b>142 287 180</b>	<b>100.00%</b>
<b>Shares without voting rights</b>	<b>13 254 238</b>	<b>1.4</b>	<b>18 555 933</b>	
<b>Paid-in share capital total</b>	<b>114 887 938</b>		<b>160 843 113</b>	

## The Council of Rietumu Bank

Name	Position	Date of appointment
Leonid Esterkin	Chairman of the Council	25/09/97(24/03/14-24/03/17)
Arkady Suharenko	Deputy Council Chairman	25/09/97(24/03/14-24/03/17)
Brendan Thomas Murphy	Deputy Council Chairman	07/09/05(24/03/14-24/03/17)
Dermot Fachtna Desmond	Member of the Council	07/09/05(24/03/14-24/03/17)
Alexander Gafin	Member of the Council	25/03/10(24/03/14-24/03/17)
Aleksander Kalinovski	Member of the Council	05/11/10(24/03/14-24/03/17)
Valentin Bluger	Member of the Council	25/03/11(24/03/14-24/03/17)

## The Board of Directors

Name	Position	Date of appointment
Alexander Pankov	Chairman of the Board, President	18/10/10(10/10/13-10/10/16)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(10/10/13-10/10/16)
Dmitry Pyshkin	Member of the Board, Senior Vice President	04/07/06(10/10/13-10/10/16)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(10/10/13-10/10/16)
Ilja Suharenko	Member of the Board, Senior Vice President	18/10/10(10/10/13-10/10/16)
Rolf Paul Fujs	Member of the Board, Senior Vice President	26/11/10(10/10/13-10/10/16)
Renats Lokomets	Member of the Board, Senior Vice President	10/12/12(10/10/13-10/10/16)

## Members of the consolidation group

No	Company name	Registration number	Registration location code and address	Commercial activity *	Share capital (%)	Voiting shares (%)	Justification for inclusion in the group**
1	RB Securities Limited	HE 78731	CY, 1 Stasinou Street, 1 Mitsi Building, 2nd Floor, Office 5, Plateia Eleftherias, P.C. 1060, Nicosia, Cyprus	CFI	99.99	99.99	MS
2	SIA "RB Investments"	40003669082	LV, Vesetas iela 7, 10.stāvs, Rīga, Latvija	CFI	100.00	100.00	MS
3	AS "RB Asset Management"	40003764029	LV, Vesetas iela 7, 11.stāvs, Rīga, Latvija	IPS	65.10	65.10	MS
4	SIA "RB Drošība"	40003780752	LV, Vesetas iela 7, Rīga, Latvija	CKS	100.00	100.00	MS
5	SIA "Westtransinvest"	100188077	BY, Fabriciusa iela 8, 4.stāvs, ist.18, Minska, Baltkrievija	CFI	99.50	99.50	MS
6	SIA "Westleasing"	190510668	BY, Fabriciusa iela 8, 4.stāvs, ist.42, Minska, Baltkrievija	CFI	99.50	99.50	MS
7	SIA "Westleasing-M"	1047796934206	RU, Kostjakova iela 10, Maskava, Krievija	CFI	100.00	100.00	MS
8	SIA "RB Namu serviss"	40103169629	LV, Vesetas iela 7, 10.stāvs, Rīga, Latvija	CKS	100.00	100.00	MS
9	SIA "InCREDIT GROUP"	40103307404	LV, Krišjāna Barona iela 130, Rīga, Latvija	CFI	51.00	51.00	MS
10	SIA "OVERSEAS Estates"	40003943207	LV, Vesetas iela 7, 3.stāvs, Rīga, Latvija	CKS	100.00	100.00	MS
11	SIA "RB BAKI"	1701269651	AZ, Istiglalijat iela 7-1, Baku, Azerbaidžāna	CKS	90.00	90.00	MS
12	SIA "SBD"	40003868002	LV, Vesetas iela 7, Rīga, Latvija	CKS	66.89	66.89	MS
13	SIA "Langervaldes 2"	40103701960	LV, Vesetas iela 7, Rīga, Latvija	CKS	100.00	100.00	MS
14	SIA "Vesetas 7"	40103182735	LV, Vesetas iela 7, Rīga, Latvija	CKS	100.00	100.00	MS
15	AS "Rietumu Asset Management"	40103753360	LV, Vesetas iela 7, Rīga, Latvija	IPS	100.00	100.00	MS

\* BNK - bank, ISP - the insurance company, offer - the reinsurer, APP - the insurance company, IBC - an investment firm, IPS - an investment management firm, PFO - pension fund, CFI - other financial institution, FPS - financial company, CKS - other company.

\*\* MS - subsidiary; KS - joint-venture company, MAS - parent company.

## Financial performance

### Income Statement

	March 2013	March 2013	000'EUR
	Non-Audited	Non-Audited	
Interest income	20 695	16 972	
Interest expenses	-4 587	-5 145	
Dividend income	500	0	
Commission and fee income	15 367	10 421	
Commission and fee expense	-4 436	-2 682	
Net realised gain/ (loss) from financial assets at amortised cost	-	-	
Net realised gain/ (loss) from available-for-sale financial assets	283	-	
Net realised gain/ (loss) from financial assets and liabilities held for trading	90	1 437	
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	-	-	
Changes in fair value hedge accounting	-	-	
Net result from foreign exchange trading and revaluation	5 083	4 553	
Gain/ (loss) from sale of tangible and intangible fixed assets	-28	2 938	
Other income	482	633	
Other expense	-62	-9	
Administrative expense	-10 925	-14 001	
Depreciation	-339	-425	
Impairment expenses	-877	-87	
Change in allowances for credit losses	-	-	
<b>PROFIT / LOSS BEFORE CORPORATE INCOME TAX</b>	<b>21 246</b>	<b>14 606</b>	
Corporate income tax	-2 703	-2 928	
<b>NET PROFIT / LOSS</b>	<b>18 543</b>	<b>11 678</b>	

## Condensed Balance Sheet

	March 2013	December 2013	000'EUR
	Non-Audited	Audited*	
<b>ASSETS</b>			
Cash and demand deposits with central banks	468 752	522 565	
Demand deposits from credit institutions	968 516	728 354	
Financial assets held for trading	-	-	
Financial instruments at fair value through profit or loss	16 425	17 833	
Available-for-sale financial assets	95 730	111 202	
Loans and receivables	1 116 550	1 175 947	
<i>t.sk.</i>			
<i>loans gross</i>	1 194 431	1 256 382	
<i>Specific impairment allowance</i>	-77 881	-80 435	
Held-to-maturity investments	74 570	153 837	
Reverse repo loans	176 075	150 308	
Change of fair value of hedge portfolio	-	-	
Prepaid expense and accrued income	8 083	8 912	
Fixed assets	5 890	5 538	
Investment property	4 467	4 455	
Intangible assets	2 234	2 168	
Investments in subsidiaries and associates	32 913	29 140	
Tax assets	231	280	
Other assets	19 342	10 008	
<b>Total assets</b>	<b>2 989 777</b>	<b>2 920 547</b>	
<b>LIABILITIES AND SHAREHOLDERS'S EQUITY</b>			
Balances due to central banks	-	-	
Demand deposits due to credit institutions	21 776	31 222	
Financial liabilities held for trading (derivative financial liabilities)	-	-	
Financial instruments at fair value through profit or loss	139	615	
Financial liabilities at amortised value	2 615 813	2 598 890	
<i>incl.</i>			
<i>deposits</i>	2 596 306	2 579 621	
<i>term deposits due to credit institutions</i>	1 495	794	
<i>debt securities issued</i>	18 013	18 475	
Financial liabilities arising from financial asset transfer	-	-	
Change of fair value of hedge portfolio	-	-	
Tax liabilities	2 853	4 035	
Provisions	8 596	8 438	
Other liabilities	30 999	5 147	
<b>Total liabilities</b>	<b>2 680 176</b>	<b>2 648 346</b>	
<b>Shareholders' equity</b>	<b>309 600</b>	<b>272 201</b>	
<i>incl.</i>			
<i>paid-in share capital</i>	160 843	142 287	
<i>share premium</i>	33 882	6 843	
<i>reserve capital</i>	14 252	14 251	
<i>previous years profit/loss</i>	78 331	51 559	
<i>retained profit / loss</i>	18 543	53 544	
<i>fixed asset revaluation reserve</i>	-	-	
<i>available for sale financial assets revaluation reserve</i>	3 750	3 717	
<b>Total liabilities and shareholder's equity</b>	<b>2 989 777</b>	<b>2 920 547</b>	
<i>Contingent liabilities</i>	9 014	11 241	
<i>Off-balance sheet liabilities to customers</i>	58 416	41 367	

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2013

## Profitability ratios

	March 2014 Non-audited	December 2013 Audited*
ROE <sup>1</sup>	25.36%	21.57%
ROA <sup>2</sup>	2.49%	1.34%
Net interest margin <sup>3</sup>	2.29%	2.28%
Cost/income ratio <sup>4</sup>	33.83%	34.68%

## Regulatory requirements and ratios

	March 2014	December 2013
Liquidity ratio <sup>5</sup>	73.16%	62.56%
<i>note: minimum allowed by FCMC</i>	60.00%	60.00%
Capital adequacy ratio	21.81%	19.76%
<i>note: minimum allowed by FCMC</i>	17.70%	16.80%

## Financial ratios

	March 2014	December 2013
Equity to loan portfolio ratio	27.73%	23.15%
Loan portfolio to total assets ratio	37.35%	40.26%
Equity to total assets ratio	10.36%	9.32%
Deposits to loans ratio	232.53%	219.37%

<sup>1</sup>Annualised profit/loss for the reporting period over average equity

<sup>2</sup>Annualised profit/loss for the reporting period over average assets

<sup>3</sup>Annualised net interest income over average total assets

<sup>4</sup>Expenses over income (Administrative expenses + depreciation and amortization of intangible assets and fixed assets cost) / (net interest income + dividend income + net commission and gain/loss arising from dealing in financial instruments + result of financial instrument revaluation + other ordinary income - other

<sup>5</sup>Liquidity ratio = Liquid assets/current liabilities (with maturity up to 30 days), where Liquid assets = vault cash + claims on central banks and other credit institutions + fixed-income debt securities of central governments, while Current liabilities – claim liabilities and liabilities with a residual maturity not exceeding 30 days.

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2013



## Report of equity and minimum capital requirements

		000'EUR	
		March 2014 Non-audited	December 2013 Audited*
<b>1</b>	<b>Total equity</b>	<b>351 366</b>	<b>212 397</b>
1.1	Tier 1	284 437	167 905
1.2	Tier 2	82 797	56 915
1.3	Decrease in Tier 1 and Tier 2*	-15 868	-12 423
1.4	Tier 1 total applying decrease	276 503	161 694
1.5	Tier 2 total applying decrease	74 863	50 703
1.6	Used Tier 3	-	-
<b>2</b>	<b>Total capital charge</b>	<b>128 878</b>	<b>91 894</b>
Total of capital requirements for credit risk, counterparty credit risk, dilution risk and free deliveries risk			
2.1	dilution risk and free deliveries risk	113 654	80 633
2.2	Capital charge for settlement/ deliveries risk	-	-
2.3	Capital charge for position risk, foreign currency risk and commodity	711	1 061
2.4	Capital charge for operational risk	14 513	10 200
2.5	Capital charge for other risk and transition period	-	-
<b>3</b>	<b>Additional information</b>	-	-
Capital requirements covered by own funds (surplus/ (shortfall))			
3.1	excluding capital charge for other risk and transition period	222 488	120 503
Capital adequacy ratio (%) excluding capital charge for other risk and transition period			
3.1.a	transition period	21.81	18.49
3.2	Capital requirements covered by own funds (surplus/ (shortfall))	222 488	120 503
3.2.a	<b>Capital adequacy ratio (%)</b>	<b>21.81</b>	<b>18.49</b>

\*Decrease according to FCMC requirements to hold additional capital to cover credit risk for loans which are not impaired.

## Risk management

Risk management can be found in the last annual report:  
<http://www.rietumu.com/bank-finance-audited>

## Attachment 1

### Analysis of the Bank's securities portfolio distribution

Bank's securities portfolio breakdown by country in which the total book value of the securities issued exceeds 10% of the Bank's shareholders equity.

March 2014 Issuer	At fair value	For sale	Held to maturity	TOTAL: · shareholders equity	000'LVL
<b>Latvia</b>					
Government obligations	-	-	-	-	-
Investment funds	-	33 947	-	33 947	-
Financial institutions	-	62	7 425	7 487	-
Private institutions	126	-	-	126	-
<b>Total:</b>	<b>126</b>	<b>34 009</b>	<b>7 425</b>	<b>41 561</b>	<b>11.83%</b>
<b>Securities of other countries:</b>	<b>16 081</b>	<b>61 721</b>	<b>11 602</b>	<b>89 405</b>	<b>25.27%</b>
<b>Total securities portfolio:</b>	<b>16 208</b>	<b>95 730</b>	<b>19 027</b>	<b>130 965</b>	

In the reporting period for the securities available-for-sale impairment were not recognized.

At the end of the reporting period the total volume of the Bank's securities portfolio amounted to 130.3 m EUR. Majority of that – 128.5m EUR – was invested in government and corporate obligations in Europe, US and Asia. 97% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investment by country was in the Latvia (11.83% of Bank's shareholders' equity). At the same time, Bank's investments in individual government obligations do not exceed 10% of Bank's shareholders equity.